

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7697

BILL NUMBER: SB 425

NOTE PREPARED: Jan 7, 2007

BILL AMENDED:

SUBJECT: Term of state contracts.

FIRST AUTHOR: Sen. Simpson

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill provides that a contract for services entered into by a state agency: (1) may not be for a period of more than four years unless a statute specifically provides otherwise; and (2) may not be renewed. It provides that, after the term of a contract for services, a new contract for the same services may be awarded to the same contractor that provided the services under the original contract only if there is a new solicitation.

It also provides that the statute authorizing public-private agreements does not apply to services unless the contract is a "BOT" agreement or an "operating agreement" (as both terms are defined in the public-private agreement statute).

Effective Date: Upon passage.

Explanation of State Expenditures: The bill could have indeterminate increased fiscal impact to the extent that a contract for a service for a period longer than four years would provide cost savings. There is no information available to calculate the value of discounts lost if contracts are no longer than four years and are nonrenewable.

Background: Data on active contracts as of September 27, 2006 indicates that the average length of professional services contract is about 8.4 years. The term of contract for supplies is already limited to 4 years.

Background on Definitions Within the Bill: A BOT contract is any agreement between a governmental body and an operator to construct, operate, and maintain a public facility and to transfer the facility ownership back to the governmental body at the end of the term of the contract. A operating agreement is an agreement between an operator and a governmental body for the operation, maintenance, repair or management of a public facility.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Administration

Local Agencies Affected:

Information Sources: <http://www.in.gov/idoa/proc/active.html>

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